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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-19620

WESCO AUTO PARTS CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	84-1152135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1705 West Garvey Avenue, North
West Covina, California 91790
(Address of principal executive offices)
(Zip Code)

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(818)814-1541
(Registrant's telephone number including area code)

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_____
(Former name, address, fiscal year, if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

As of May 12, 1992, 8,277,385 shares of common stock were outstanding.

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WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

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WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$45,265	$148,678
Accounts receivable, net	635,638	541,542
Advances to stockholder	380,673	343,692
Inventories	4,526,242	2,475,389
Deferred income taxes	87,000	87,000
Supplies and prepaid expenses	309,749	49,664
Total current assets	5,988,567	3,645,965
PROPERTY AND EQUIPMENT, net	2,643,585	1,118,399
OTHER ASSETS	197,305	273,769
	$8,827,457	$5,038,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,465,039	$600,588
Short-term borrowings	2,095,333	1,032,500
Notes payable and current portion of long-term debt	66,066	214,747
Accrued expenses	220,729	119,476
Accured wages	163,046	242,467
Income taxes payable	-	494,385
Total current liabilities	4,010,213	2,704,163
DEFERRED INCOME TAXES	116,000	116,000
LONG-TERM DEBT, NET OF CURRENT PORTION	-	136,123
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, .0001 par value, 2,500,000 shares authorized; none issued	-	-
Special stock, issued and outstanding; none at June 30, 1991 3,000,000 shares at March 31, 1992	-	-
Common stock, .0001 par value, 25,000,000 shares authorized; Issued and outstanding 3,954,423 and 8,277,385 at June 30, 1991 and March 31, 1992, respectively	828	395
Additional paid-in capital	3,324,599	714,802
Retained earnings	1,375,817	1,366,650
Total Stockholders' equity	4,701,244	2,081,847
	$8,827,457	$5,038,133

WEESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
REVENUES	$3,669,527	$2,904,821	$10,704,509	$8,922,466
COST OF GOODS SOLD	1,891,747	1,506,019	5,588,964	4,718,417
GROSS PROFIT	1,777,780	1,398,802	5,115,545	4,204,049
SELLING, OPERATING / AND ADMINISTRATIVE EEXPENSES	1,721,090	1,163,959	4,959,806	3,384,201
INCOME FROM OPEERATIONS	56,690	234,843	155,739	819,848
OTHER INCOME (EXPEENSE):				
INTEREST INCOME	9,009	6,968	27,028	19,850
INTEREST EXPENSEE	(42,359)	(41,163)	(113,614)	(126,339)
OTHER, NET	(19,137)	(1,671)	(53,871)	(3,765)
	(52,487)	(35,866)	(140,457)	(110,254)
INCOME BEFORE INNCOME TAXES	4,203	198,975	15,282	709,594
PROVISION FOR INCOBME TAXES	1,573	92,554	6,115	284,818
NET INCOME	$2,630	$106,421	$9,167	$424,776
NET INCOME PER CCOMMON SHARE	–	$0.03	$0.001	$0.11
AVERAGE NUMBER 4 OF SHARES OUTSTANDING	9,787,173	3,891,754	6,723,912	3,861,440

WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITES:		
Net Income	$9,167	$424,776
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	189,001	195,795
Common stock issued as compensation	20,820	–
Changes in assets and liabilities associated with operating activities:		
Accounts receivable	(94,096)	(40,778)
Inventories	(2,052,853)	29,418
Supplies and prepaid assets	(260,085)	40,289
Other assets	76,464	(128,660)
Accounts payable	864,451	(445,162)
Accrued expenses	21,832	(140,557)
Income taxes payble	(494,385)	(23,202)
Total adjustments	(1,728,851)	(512,857)
Net cash used in operating activities	(1,719,684)	(88,081)
CASH FLOWS FROM INVESTING ACTIVITES:		
Purchase of property and equipment	(1,614,187)	(58,318)
Net cash used in investing activities	(1,614,187)	(58,318)
CASH FLOWS FROM FINANCING ACTIVITES:		
Proceeds from short–term borrowings, net	1,062,833	95,190
Proceeds from notes payable	–	67,219
Advances to stockholder, net	(36,981)	(51,557)
Payments on long–term debt	(284,804)	–
Proceeds from issuance of common stock	2,489,410	37,441
Net cash provided by financing activities	3,230,458	148,293
NET INCREASE (DECREASE) IN CASH	(103,413)	1,894
CASH, beginning of period	148,678	30,115
CASH, end of period	$45,265	$32,009

WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A-BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended March 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended June 30, 1992.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the registrant's Transition Report on Form 10-K for the period from January 1, 1991 through June 30, 1991.

NOTE B-OCTOBER 1991 TRANSACTION

Effective October 16, 1991, a newly-formed subsidiary of Wesco was merged (the "Recapitalization") into Wesco Auto Parts, Inc. (formerly known as West Covina Auto Parts, Inc.), a private California corporation ("West Covina Auto Parts"). As a result of the Recapitalization, West Covina Auto Parts became Wesco's wholly-owned operating subsidiary. In connection with the Recapitalization, Wesco issued a total of 4,162,550 shares of Common Stock, 3,000,000 shares of its Special Stock, 750,000 Class C Warrants and 750,000 Class D Warrants. Concurrently with its consummation of the Recapitalization, Wesco completed a private placement of 3,157,895 shares of Common Stock for total gross proceeds of $3,000,000 (approximately $2,500,000 net proceeds after fees and expenses).

NOTE C-RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 1991 financial statements to conform with the March 31, 1992 presentation.

NOTE D-NET INCOME PER COMMON SHARE

Net income per common share has been computed using the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the periods. The difference between primary net income per common share and fully diluted net income per common share is not significant for the periods presented.

Item 2.

WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenues for the three months ended March 31, 1992 were $3,669,527, an increase of $764,706 or 26% over the comparable period last year. Revenues for the nine months ended March 31, 1992 were $10,704,509, an increase of $1,782,043 or 20% over the comparable period last year. These increases are principally attributable to the September, 1991 opening of a third store in Rowland Heights, California. Revenues from sales to DIY customers for the current three month period were $1,743,449, an increase of $369,897, or 27%, over the comparable period of the prior year, while revenues from sales to commercial customers for the same period were $1,926,078, an increase of $394,809, or 26%. Revenues from sales to DIY customers for the current nine month period were $5,261,691, an increase of $838,797, or 19%, over the comparable period of the prior year, while revenues from sales to commercial customers for the same period were $5,442,818, an increase of $943,246, or 21%.

Gross profit for the three months ended March 31, 1992 was 48.4% of revenues, as compared to 48.2% during the comparable period last year. Gross profit for the nine months ended March 31, 1992 was 47.8% of revenues, as compared to 47.1% during the comparable period last year. These increases are primarily due to purchasing efficiencies gained through vendor volume discount programs as purchasing levels continued to increase. The annualized inventory turnover rate was approximately 1.8 times and 2.3 times during the three months ended March 31, 1992 and 1991, respectively, and 2.1 times and 2.6 times during the nine months ended March 31, 1992 and 1991, respectively. The decreases are primarily due to the full stocking of the Rowland Heights store which began selling its inventory in September 1991 and the Buena Park store which began selling its inventory in April 1992.

Selling, operating and administrative expenses for the three months ended March 31, 1992 increased by $557,131, or 47.9%, over the comparable period of the prior year. As a percentage of revenues, selling, operating and administrative expenses for the three months ended March 31, 1992 increased to approximately 46.9% from approximately 40.1% for the comparable period for the prior year. The increase of selling, operating and administrative expenses is primarily due to three factors: (1) the direct monthly store operating expenses of the Rowland Heights store during the period, accounted for approximately $275,000 of the increase;

(2) the hiring of additional managment, administrative support and store set-up personnel accounted for approximately $200,000 of the increase; (3) the legal and accounting and systems improvement costs incurred with respect to the Company's planned expansion, accounted for approximately $80,000.

Selling, operating and administrative expenses for the nine months ended March 31, 1992 increased by $1,575,605, or 46.6%, over the comparable period of the prior year. As a percentage of revenues, selling, operating and administrative expenses for the nine months ended March 31, 1992 increased to approximately 46.3% from approximately 37.9% for the comparable period for the prior year. The increase of selling, operating and administrative expenses is primarily due to four factors: (1) the direct monthly store operating expenses of the Rowland Heights store during the last seven months of the period, accounted for approximately $650,000 of the increase; (2) the hiring of additional managment, administrative support and store set-up personnel accounted for approximately $500,000 of the increase; (3) the pre-opening costs associated with the September 1991 opening of the Rowland Heights store, such as employee training and grand opening advertising and promotion, accounted for approximately $150,000 of the increase; (4) the legal and accounting and systems improvement costs incurred with respect to the Company's planned expansion accounted for approximately $280,000. The Company's management expects that selling, operating and administrative expenses as a percentage of revenues will decrease as the Company continues to open new stores because managment expects sales to continue to increase, without a proportionate increase in corporate and administrative expenses.

Income from operations decreased from $234,843 for the three months ended March 31, 1991 to $56,690 for the three month period ended March 31, 1992 and from $819,848 for the nine months ended March 31, 1991 to $155,739 for the nine month period ended March 31, 1992. These decreases are primarily due to the increases in selling, operating and administrative expenses described above.

Other income and expense consist of three compnents; (1) interest income from advances made to majority stockholder, which bear interest at 10% per annum and has increased in both periods due to a higher average outstanding balance; (2) interest expense, as a percentage of revenues has decreased in both periods primarily due to a decrease in the Company's bank borrowing prime rate of interest; (3) Other expense has increased in both periods principally due to costs associated the closure of an auto service center at the Company's West Covina Hub store.

Liquidity and Capital Resources

Since July 1, 1991, the Company's primary sources of liquidity have been cash flow from the operation of its stores, bank borrowings on its lines of credit and the net proceeds from its October 1991 Private Placement. The Company's primary capital requirements throughout fiscal 1992 (including amounts already spent and anticipated expenditures for the balance of the fiscal year) are (1) approximately $1,450,000 for the September 1991 opening of its third store in Rowland Heights, California, (2) approximately $1,000,000 for equipment, leasehold improvements, opening inventory and pre-opening expenses incurred in the April 1992 opening of its fourth store in Buena Park, California, (3) approximately $950,000 for equipment, leasehold improvements, opening inventory and pre-openings expenses for the May 1992 opening of its fifth store in Santa Ana, California, (4) approximately $240,000 in license and installation fees to Innovative Data in connection with the installation of Wesco's Catalog System, (5) approximately $250,000 for upgrading the mainframe computer at its administrative offices, and (6) an expected $900,000 for the opening of its planned Montclair, California store in June or July 1992.

In July 1991, West Covina Auto Parts obtained a $2,000,000 revolving line of credit (the "Working Capital Line") from Security Pacific Bank ("Security Pacific"). In January 1992, Security Pacific agreed to increase the Working Capital Line to $3,200,000. From July 1991 through October 1991, West Covina Auto Parts borrowed on the Working Capital Line to retire a $150,000 revolving line of credit with City National Bank; to pay off $402,500 under a separate promissory note to City National Bank; to pay off a $130,000 demand note owed to a third-party trust; to purchase certain inventory and trade fixtures from the prior owner of the Rowland Heights, California store site for $150,000; to repay approximately $50,000 owed in connection with the subsidiary's 1988 acquisition of its El Monte, California store site; and for certain pre-opening and advertising expenses for the Rowland Heights store.

In October 1991, the West Covina Auto Parts repaid the outstanding balance of approximately $1,850,000 then owed on the Working Capital Line from proceeds of the Private Placement. The Company has subsequently borrowed additional amounts on the Working Capital Line to cover inventory payables and to purchase additional inventory and, as of May 15, 1992, owed approximately $1,500,000 on the Working Capital Line. In July 1991, the Company also obtained a $500,000 line of credit from Security Pacific for equipment purchases (the"Equipment Line"), on which the Company had borrowed, as of May 15, 1992, approximately $475,000 to purchase computer hardware and software and other equipment for its Rowland Heights and Buena Park stores. The Working Capital Line and the Equipment Line bear interest at, respectively, 1% and 1.25% over Security

Pacific's prime rate (which at May 15, 1992 was 6.5%) and both mature on November 1, 1992 and are secured by the Company's accounts receivable, inventory, fixtures and equipment.

In October 1991, the Company raised approximately $2,500,000 net proceeds in the Private Placement. The Company used approximately $1,850,000 of these net proceeds to retire the then outstanding balance owed on the Working Capital Line of Credit, approximately $300,000 to pay income taxes and approximately $350,000 towards the opening of the Rowland Heights store. Management believes that so reducing its debt level benefitted the Company by saving interest expense pending its need for further borrowings on the Lines of Credit to fund its planned expansion through fiscal 1992.

The Company owed approximately $350,000 on May 15, 1992 to California State Bank, under a promissory note requiring monthly interest payments at the rate of 5.25% per annum, which is secured by certificates of deposit provided by a trust controlled by Mr. Sheerin's mother-in-law for the benefit of Mr. Sheerin's wife and sister-in-law. Since March 1992, the Company has been obligated to pay the trust a fee equivalent to interest on the guaranteed obligation at the rate of 3.15% per annum in consideration of its providing such security for the Note. Full repayment on the Note is due on September 21, 1992.

The Company estimates that each new satellite store will require approximately $800,000 of initial inventory (of which the Company anticipates that approximately 50% to 60% will be financed on payment terms from vendors) and approximately $500,000 to $575,000 for equipment, leasehold improvements and other pre-opening expenses. The Company's management estimates that each new hub store will require approximately $1,400,000 of initial inventory (of which the Company anticipates that approximately 50% to 60% will be financed on payment terms from vendors) and approximately $600,000 to $700,000 for equipment, leasehold improvements and other pre-opening expenses. As of May 15, 1992, the Company had approximately $1,725,000 of borrowing capacity on the Lines of Credit and cash on hand of approximately $150,000, which managment anticipates will be sufficient to open the planned Santa Ana, California satellite store in May 1992 and the planned Montclair, California satellite store in June or July 1992.

The Company will require additional sources of capital to open new stores after its planned Santa Ana and Montclair stores. The Company intends to satisfy such additional capital requirements from the exercise of currently outstanding warrants, bank borrowing, or from additional debt or equity financing and, to the extent available, cash from operations. However, except for its Lines of Credit, the Company has no commitments with respect to such bank borrowing, warrant exercises or debt equity or financing, and there can be no assurance that any such warrants will be exercised, any such borrowing or financing will be available on

favorable terms, if at all, or that operations will generate any significant cash for the opening of additional stores. Further, there is no assurance that the Company's assumptions or estimates of the timing and costs of opening and operating additional stores will prove accurate, and unanticipated problems may arise and affect such expansion plans. Moreover, there is no assurance that the Lines of Credit will be renewed, or that alternative financing will be available, when they mature on November 1, 1992.

The Company now has outstanding: (1) the Class A and Class C Warrants to purchase an aggregate of 1,500,000 shares of Common Stock, at an exercise price of $2.50 per share, (2) the Class B and Class D warrants to purchase an aggregate of 1,500,000 shares of Common Stock, at an exercise price $3.50 per share, (3) an option to purchase up to 422,106 shares of Common Stock, at $1.00 per share, by June 25, 1992, (4) incentive stock options to purchase 1,021,467 shares of Common Stock at prices ranging from $1.00 to $3.50 per share and (5) other options and warrants to purchase up to 365,000 shares of Common Stock at prices ranging from $.95 to $5.00 per share. Such potential proceeds, together with future repayment of a $380,000 indebtedness owed by Mr. Sheerin to the Company, which matures September 1, 1992, constitute additional potential sources of liquidity and capital resources for the Company.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None.

(b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on May 4, 1992.

WESCO AUTO PARTS CORPORATION

Jeff Silver,
Chief Financial Officer and
Secretary